



THE PROTESTANT EPISCOPAL CHURCH
IN THE DIOCESE OF LOS ANGELES

Financial Statements
December 31, 2020
(With Summarized Comparative Information for 2019)

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
The Protestant Episcopal Church in the Diocese of Los Angeles

Report on the Financial Statements

We have audited the accompanying financial statements of The Protestant Episcopal Church in the Diocese of Los Angeles (a California nonprofit religious corporation), which comprise the statement of assets, liabilities, and net assets – modified cash basis as of December 31, 2020, and the related statements of revenue, expenses, and change in net assets – modified cash basis and functional expenses – modified cash basis for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting as described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and net assets of The Protestant Episcopal Church in the Diocese of Los Angeles as of December 31, 2020, and its revenue and expenses for the year then ended in accordance with the modified cash basis of accounting as described in Note 1.

Report on Summarized Comparative Information

We have previously audited The Protestant Episcopal Church in the Diocese of Los Angeles' 2019 financial statements, and expressed an unmodified audit opinion on those audited financial statements in our report dated January 26, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Report on Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of property and equipment on pages 22 and 23 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



Long Beach, California
January 14, 2022

**THE PROTESTANT EPISCOPAL CHURCH
IN THE DIOCESE OF LOS ANGELES**

**STATEMENT OF ASSETS, LIABILITIES, AND NET ASSETS -
MODIFIED CASH BASIS
DECEMBER 31, 2020
(WITH COMPARATIVE TOTALS FOR 2019)**

ASSETS

	December 31,	
	2020	2019
ASSETS		
Cash and cash equivalents	\$ 2,074,579	\$ 2,009,916
Pledges receivable	187,181	365,195
Other receivables	141,729	296,210
Investments	15,247,906	13,585,224
Loans receivable, net	756,087	675,299
Property and equipment	34,958,905	34,885,246
Due from related parties	2,432,699	415,163
TOTAL ASSETS	\$ 55,799,086	\$ 52,232,253

LIABILITIES AND NET ASSETS

LIABILITIES		
Accounts payable and accrued expenses	\$ 323,207	\$ 309,565
Funds held for others	7,970,448	7,280,121
Notes payable	886,949	966,649
Paycheck Protection Program loan	3,313,000	-
Total Liabilities	12,493,604	8,556,335

COMMITMENTS AND CONTINGENCIES (Note 14)

NET ASSETS

Without donor restrictions		
Undesignated	39,061,936	38,619,392
Board designated	737,335	1,515,608
	39,799,271	40,135,000
Restricted net assets:		
Restricted for specific purpose	3,108,078	3,142,785
Restricted in perpetuity endowment	398,133	398,133
	3,506,211	3,540,918
Total Net Assets	43,305,482	43,675,918
TOTAL LIABILITIES AND NET ASSETS	\$ 55,799,086	\$ 52,232,253

See Independent Auditors' Report
The accompanying notes are an integral part of these financial statements.

**THE PROTESTANT EPISCOPAL CHURCH
IN THE DIOCESE OF LOS ANGELES**

**STATEMENT OF REVENUE, EXPENSES, AND CHANGE IN NET ASSETS -
MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2020
(WITH COMPARATIVE TOTALS FOR 2019)**

	<u>Without Donor</u> <u>Restrictions</u>	<u>With Donor</u> <u>Restrictions</u>	<u>Total</u>	
			<u>2020</u>	<u>2019</u>
REVENUE, GAINS, AND OTHER SUPPORT				
Mission Share pledges (MSF)	\$ -	\$ 4,131,400	\$ 4,131,400	\$ 3,879,724
Contributions	2,855,050	55,913	2,910,963	1,770,249
IRIS - refugee relocation	639,660	-	639,660	1,032,041
Program support	516,252	-	516,252	477,486
Rental income	50,731	-	50,731	142,155
Investment income, net of expense	342,909	244,344	587,253	1,409,298
Other receipts	24,002	-	24,002	193,042
Net assets released from restrictions	<u>4,466,364</u>	<u>(4,466,364)</u>	<u>-</u>	<u>-</u>
Total Revenue, Gains, and Other Support	<u>8,894,968</u>	<u>(34,707)</u>	<u>8,860,261</u>	<u>8,903,995</u>
EXPENSES				
Mission Share Fund (Note 11)	6,506,213	-	6,506,213	6,818,434
Cathedral Center	225,721	-	225,721	614,013
Episcopal residence	161,771	-	161,771	153,777
Unemployment insurance	602,977	-	602,977	135,496
Mission, parish and other grants	6,389	-	6,389	-
General church activities	665,001	-	665,001	868,110
Program contracts	585,779	-	585,779	488,048
Fund development	<u>476,846</u>	<u>-</u>	<u>476,846</u>	<u>271,452</u>
Total Expenses	<u>9,230,697</u>	<u>-</u>	<u>9,230,697</u>	<u>9,349,330</u>
CHANGE IN NET ASSETS	<u>(335,729)</u>	<u>(34,707)</u>	<u>(370,436)</u>	<u>(445,335)</u>
NET ASSETS AT BEGINNING OF YEAR	<u>40,135,000</u>	<u>3,540,918</u>	<u>43,675,918</u>	<u>44,121,253</u>
NET ASSETS AT END OF YEAR	<u>\$ 39,799,271</u>	<u>\$ 3,506,211</u>	<u>\$ 43,305,482</u>	<u>\$ 43,675,918</u>

See Independent Auditors' Report

The accompanying notes are an integral part of these financial statements.

**THE PROTESTANT EPISCOPAL CHURCH
IN THE DIOCESE OF LOS ANGELES**

**STATEMENT OF FUNCTIONAL EXPENSES - MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2020
(WITH COMPARATIVE TOTALS FOR 2019)**

	Program Services and Grants	Property		Total Property	General Church Activities	Total Expense	
		Cathedral Center	Episcopal Residence			2020	2019
MSF Salaries and Benefits	\$ 2,877,554	\$ -	\$ -	\$ -	\$ 135,820	\$ 3,013,374	\$ 3,109,010
All other Salaries and Benefits	781,786	463,694	28,587	492,281	-	1,274,067	1,220,281
Personnel Costs	<u>3,659,340</u>	<u>463,694</u>	<u>28,587</u>	<u>492,281</u>	<u>135,820</u>	<u>4,287,441</u>	<u>4,329,291</u>
MSF expense	2,740,923	-	-	-	67,886	2,808,809	3,502,696
Grants and distributions	153,989	-	-	-	27,847	181,836	372,240
Professional services	46,800	145,720	-	145,720	438,733	631,253	317,068
Interest expense	926	-	18,657	18,657	-	19,583	20,735
Insurance	-	65,957	3,035	68,992	-	68,992	61,060
Property related expenses	805	412,547	111,492	524,039	-	524,844	555,682
Office expense	-	17,903	-	17,903	87,059	104,962	55,062
Unemployment benefits	602,977	-	-	-	-	602,977	135,496
Subtotal Expenses	<u>3,546,420</u>	<u>642,127</u>	<u>133,184</u>	<u>775,311</u>	<u>621,525</u>	<u>4,943,256</u>	<u>5,020,039</u>
MSF CAM reimbursement	<u>880,100</u>	<u>(880,100)</u>	<u>-</u>	<u>(880,100)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Functional Expenses	<u>\$ 8,085,860</u>	<u>\$ 225,721</u>	<u>\$ 161,771</u>	<u>\$ 387,492</u>	<u>\$ 757,345</u>	<u>\$ 9,230,697</u>	<u>\$ 9,349,330</u>

See Independent Auditors' Report
The accompanying notes are an integral part of these financial statements.

**THE PROTESTANT EPISCOPAL CHURCH
IN THE DIOCESE OF LOS ANGELES**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 1 – Organization and Summary of Significant Accounting Policies

Organization

The Protestant Episcopal Church in the Diocese of Los Angeles (the Corporation) is a nonprofit religious corporation supporting the needs and ministry of the Episcopal Diocese of Los Angeles (the Diocese) located in Santa Barbara, Ventura, Los Angeles, Orange, San Bernardino and Riverside counties. Missions and parishes contribute a percentage of their receipts to the Diocese which, through the Corporation, funds various grants and programs and contributes to The Domestic and Foreign Missionary Society of the Protestant Episcopal Church in the United States of America. The Corporation provides ministry services not carried out at the congregational level, social services within the Diocese, and certain administrative services for missions and parishes.

All mission church properties are reflected on the Corporation's accompanying financial statements or the financial statements of The Bishop of the Protestant Episcopal Church, a Corporation Sole (Corporation Sole). Certain parish properties are reflected on the financial statements of either entity. According to canon law and court precedent, all church properties are held in trust for the larger church. The church properties on the Corporation's accompanying financial statements are generally valued at original cost. The Corporation's financial statements exclude encumbrances to church properties, including the church properties reflected on the Corporation's financial statements since the mission church or the parish is the borrower. The accompanying financial statements do not include the operating activities of mission churches or parishes.

Basis of Accounting

The accounting policies of the Corporation conform to the modified cash basis of accounting. Consequently, certain revenue and the related assets are recognized when received rather than when earned and certain expenses are recognized when paid rather than when the obligation is incurred. In addition, the Corporation does not record depreciation on property and has not consolidated missions and parishes. Recognizing depreciation and consolidating controlled entities is necessary to conform to generally accepted accounting principles.

**THE PROTESTANT EPISCOPAL CHURCH
IN THE DIOCESE OF LOS ANGELES**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 1 – Organization and Summary of Significant Accounting Policies (Continued)

Management Estimates

Management uses estimates and assumptions in preparing these financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenue and expenses. Actual results could vary from the estimates that were used.

Financial Statement Presentation

The Corporation reports information regarding its financial position and activities according to two classes of net assets: with donor restrictions and without donor restrictions. Net assets and revenue are classified based on the existence or absence of donor-imposed restrictions.

Net assets without donor restrictions: Net assets without donor restrictions represent net assets that are not subject to donor-imposed restrictions and that may be expendable for any purpose in performing the primary objectives of the Corporation.

Net assets with donor restrictions: Net assets subject to donor-imposed restrictions that are temporary in nature and that will be met either by actions of the Corporation or the passage of time. As the restrictions are satisfied, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the accompanying statements of activities as net assets released from restrictions. Other donor restrictions are perpetual in nature, where the donor stipulates that the corpus be invested in perpetuity and only the income be made available for program operations in accordance with donor restrictions. Such income generally includes interest, dividends, and realized and unrealized earnings from the corpus.

Cash and Cash Equivalents

All highly liquid investments with initial maturities of three months or less are considered to be cash equivalents. As of December 31, 2020, and at various times during the year then ended, the Corporation had cash and cash equivalents in financial institutions in excess of federally insured limits.

**THE PROTESTANT EPISCOPAL CHURCH
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**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 1 – Organization and Summary of Significant Accounting Policies (Continued)

Pledges Receivable

Pledges receivable are stated at the amount management expects to collect from outstanding balances and are all due within one year. Management provides for probable uncollectible amounts through a charge to uncollectible receivables expense and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to pledges receivable. As of December 31, 2020, there is no reserve for uncollectible balances. The balance at December 31, 2020 is expected to be collected in full during the year ended December 31, 2021.

Investments

The Corporation's investments consist of share subscriptions of the Diocesan Investment Trust of the Diocese of Los Angeles (DIT). Investments are presented at fair value in the statements of assets, liabilities, and net assets – modified cash basis. Fair value is determined based on the quoted market prices of the underlying securities within the DIT, which represents the net asset value, a practical expedient to fair value, of the DIT shares held by the Corporation. Investment income, including unrealized gains or losses, is included in the statements of revenue, expenses, and change in net assets – modified cash basis.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (exit price). US GAAP classifies the inputs used to measure fair value into the following hierarchy:

- Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities.
- Level 2: Unadjusted quoted prices in active markets for similar assets or liabilities, or unadjusted quoted prices for identical or similar assets or liabilities in markets that are not active, or inputs other than quoted prices that are observable for the asset or liability.
- Level 3: Unobservable inputs for the asset or liability.

The net asset value per DIT unit is based on the closing market prices and accruals of the securities in the DIT's portfolio, or total value of the DIT fund divided by the number of units currently issued and outstanding. These inputs are classified as level 2 inputs in the fair value hierarchy.

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**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 1 – Organization and Summary of Significant Accounting Policies (Continued)

Loans Receivable

Loans receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to loans receivable. Changes in the valuation allowance have not been material to the financial statements.

Property and Equipment

Property and equipment are recorded at cost if purchased, and at fair market value if donated. Major improvements are capitalized while maintenance and repairs, which do not improve or extend the life of the respective assets, are expensed currently. The Corporation does not provide for depreciation on its property and equipment.

Funds Held for Others

Funds held for others represent funds held by the Corporation on behalf of third parties, primarily other missions and churches within the Diocese, to be invested and administered on their behalf. Funds held for others at December 31, 2020, totaling \$7,970,448, are included in investments with a corresponding liability under funds held for others on the accompanying statement of financial position.

Contributions

Contributions received are recorded as net assets with or without donor restrictions, depending on the existence and nature of any donor restrictions. Contributions are recognized as support in the period received or pledged.

The Corporation reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions, and reported in the statement of revenue, expenses, and change in net assets – modified cash basis as net assets released from restrictions.

**THE PROTESTANT EPISCOPAL CHURCH
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**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 1 – Organization and Summary of Significant Accounting Policies (Continued)

IRIS – Refugee Relocation Program

The Corporation receives funding from the US Department of State Bureau of Population, Refugees, and Migration. The funding is used for reception and placement of refugees approved for admission to the United States.

Functional Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying statement of revenue, expenses, and change in net assets – modified cash basis and the statement of functional expenses – modified cash basis. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The Corporation allocates salary and offices expenses using a methodology-based time spent.

Income Taxes

The Corporation is a nonprofit corporation exempt under Internal Revenue Code Section 501(c)(3) and the related California code section. The Corporation recognizes the financial statement benefit of tax positions, such as its filing status as tax-exempt, only after determining that the relevant tax authority would more likely than not sustain the position following examination. The Corporation is subject to potential income tax audits on open tax years by any taxing jurisdiction in which it operates. The statute of limitations for federal and California state purposes is generally three and four years, respectively.

Subsequent Events

The Corporation's management has evaluated subsequent events from the statement of financial position date through January 14, 2022, the date at which the financial statements were available to be issued, and determined there are no other items to disclose.

**THE PROTESTANT EPISCOPAL CHURCH
IN THE DIOCESE OF LOS ANGELES**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 2 – Liquidity and Availability

The following reflects the Corporation’s financial assets as of the statement of assets, liabilities, and net assets – modified cash basis date, reduced by amounts not available for general use within one year of the statement of financial position date because of contractual or donor-imposed restrictions.

	December 31,	
	2020	2019
Financial assets:		
Cash and cash equivalents	\$ 2,074,579	\$ 2,009,916
Pledge receivables	187,181	365,195
Other receivables	141,729	296,210
Investments	<u>15,247,906</u>	<u>13,585,224</u>
	<u>17,651,395</u>	<u>16,256,545</u>
Less those unavailable for general expenditure within one year due to:		
Funds held on behalf of other organizations	(7,970,448)	(7,280,121)
Contractual or donor-imposed restrictions:		
Restricted by donor for specific purpose	(3,108,078)	(3,142,785)
Restricted by donor with perpetual restrictions	(398,133)	(398,133)
Board designations:		
Board designated (Note 7)	<u>(737,335)</u>	<u>(1,515,608)</u>
	<u>(12,213,994)</u>	<u>(12,336,647)</u>
Financial assets available to meet cash needs for general expenditure within one year	<u>\$ 5,437,401</u>	<u>\$ 3,919,898</u>

The Corporation maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

**THE PROTESTANT EPISCOPAL CHURCH
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**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 3 – Investments

Investments represents the Corporation’s respective beneficial ownership of a portfolio of various securities managed by the DIT. The DIT’s portfolio includes publicly traded US and international equities, fixed income securities, and other securities. As indicated in Note 1, inputs used to measure fair value are classified as level 2. The cost and fair value of the Corporation’s investments are as follows:

	December 31, 2020		December 31, 2019	
	Cost	Fair Value	Cost	Fair Value
Diocesan Investment Trust Shares:	<u>\$ 9,053,506</u>	<u>\$ 15,247,906</u>	<u>\$ 8,306,875</u>	<u>\$ 13,585,224</u>

Investment income includes the realized gains and unrealized appreciation of investments during the period, net of trust expenses. The ratio of DIT investment management expenses to average net assets held by DIT approximates 0.38% and 0.70% for the years ended December 31, 2020 and 2019, respectively.

NOTE 4 – Loans Receivable

Loans receivable consists of various notes and promises to pay, bearing interest at rates ranging from 0% to 5.0% per annum, with various payment arrangements and due dates.

	December 31,	
	2020	2019
Congregations and seminarians	\$ 789,542	\$ 834,617
Charitable organizations	<u>318,625</u>	<u>218,625</u>
	1,108,167	1,053,242
Allowance for doubtful collection	<u>(352,080)</u>	<u>(377,943)</u>
	<u>\$ 756,087</u>	<u>\$ 675,299</u>

**THE PROTESTANT EPISCOPAL CHURCH
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**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 5 – Property and Equipment

Property and equipment consists of the following:

	December 31,	
	2020	2019
Saint Paul’s Commons	\$ 11,569,493	\$ 11,569,493
Parishes	6,457,688	6,457,688
Missions	13,570,521	13,490,521
Episcopal residence	1,703,243	1,703,243
Other property and equipment	1,657,960	1,664,301
Total property and equipment	\$ 34,958,905	\$ 34,885,246

NOTE 6 – Notes Payable

Notes payable were incurred for the benefit of missions and parishes in the Diocese. The missions and parishes have agreed to reimburse the Corporation for payments made or pay the obligations directly to the lenders. Notes payable consists of the following:

	December 31,	
	2020	2019
Note payable to Episcopal Church Building Fund, unsecured, due in monthly installments including interest at 6.5% per annum through September 2028	\$ 437,462	\$ 456,674
Mortgage payable, secured by deed of trust on the Episcopal residence, due in monthly installments including interest at 4.00% per annum through September 2027	428,305	482,713
Automobile note payable, payable in monthly installments including interest at 3.25% per annum through March 2024	21,182	27,262
Total notes payable	\$ 886,949	\$ 966,649

**THE PROTESTANT EPISCOPAL CHURCH
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**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 6 – Notes Payable (Continued)

Future maturities of notes payable are as follows:

<u>Year Ending December 31,</u>	
2021	\$ 100,206
2022	104,417
2023	108,805
2024	108,139
2025	110,995
Thereafter	<u>354,387</u>
	<u>\$ 886,949</u>

Interest expense totaled \$18,658 and \$20,735 for 2020 and 2019, respectively.

NOTE 7 – Paycheck Protection Program Loan

In March 2020, Congress passed the Paycheck Protection Program (PPP) under Division A, Title I of the Coronavirus Aid, Relief, and Economic Security Act, authorizing loans to small businesses for use in paying employees that they continue to employ throughout the COVID-19 pandemic and for rent, utilities and interest on mortgages. Loans obtained through the program are eligible to be forgiven as long as the proceeds are used for qualifying purposes and certain other conditions are met. On May 1, 2020, the Corporation and related missions and parishes received a loan in the amount of \$3,313,000 through the Paycheck Protection Program. The Corporation allocated \$1,964,985 of the Paycheck Protection Program loan to related missions and parishes which is included in due from related parties on the statement of assets, liabilities and net assets at December 31, 2021. In October 2021, the Corporation received notification from the SBA that the loan was forgiven in full.

**THE PROTESTANT EPISCOPAL CHURCH
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**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 8 – Net Assets Without Donor Restrictions – Board Designated

The Corporation is self-insured for unemployment benefits. Unrestricted net assets in the amount of \$737,335 and \$1,515,608 have been designated by the Board of Directors for unemployment benefits as of December 31, 2020 and 2019, respectively.

NOTE 9 – Net Assets With Donor Restrictions – Restricted for Specific Purpose

Restricted net assets for specific purposes are available for the following purposes:

	December 31,	
	2020	2019
SCI Endowment for Camp Stevens	\$ 715,550	\$ 675,755
Episcopal Residence activities	1,281,401	1,251,858
White-Perkins small church activities	597,168	618,878
Wadleigh activities	55,977	40,249
Franklin Educational Fund	43,152	15,184
Episcopal Church activities	373,988	488,408
Virginia Marting Trust activities	-	16,145
Camp Stevens Endowment Fund	40,842	36,308
Restricted for specific purpose net assets	\$ 3,108,078	\$ 3,142,785

NOTE 10 – Net Assets With Donor Restrictions – Restricted in Perpetuity

The income from net assets restricted in perpetuity is expendable to support the following as of December 31, 2020 and 2019:

Episcopate Endowment activities	\$ 229,753
Franklin Educational activities	139,573
Episcopal Residence activities	28,807
Restricted net assets for perpetuity	\$ 398,133

**THE PROTESTANT EPISCOPAL CHURCH
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**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 11 – Endowment

The Corporation's endowment consists of certain individual donor-designated funds to support a variety of purposes, including episcopate activities and Camp Stevens. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Corporation's management and investment of donor-restricted endowment funds is subject to the provisions of the *Uniform Prudent Management of Institutional Funds Act* (UPMIFA). The Corporation has interpreted California's enacted version of UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, the Corporation classifies as permanently restricted net assets: (a) the original value of the gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Corporation in a manner consistent with the standard of prudence prescribed by UPMIFA.

Return Objectives and Risk Parameters

The Corporation's endowment funds are invested and managed according to their investment and spending policies. These policies attempt to provide a consistent return on assets in order to achieve a stable stream of funding for programs supported by the Corporation's endowment while seeking to maintain the purchasing power of the endowment assets. As a result, the endowment assets are invested in a manner that is intended to produce results that, over the long-term, meet or exceed the spending policy rate plus the rate of inflation.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Corporation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Corporation employs a diversified asset allocation to achieve its long-term return objectives within prudent risk constraints. These objectives are to be achieved by investment in, but not limited to, a diversified portfolio of publicly traded U.S. and International equities, fixed income securities, and other securities. These investments may be held in commingled or mutual funds. The investments are managed by the DIT. (See Note 3.)

**THE PROTESTANT EPISCOPAL CHURCH
IN THE DIOCESE OF LOS ANGELES**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 11 – Endowment (Continued)

Spending Policy and the Related Investment Objectives

The Corporation has a spending policy for appropriating for expenditure each year 5% of the endowment fund’s average fair value over the preceding 12 quarters or fund duration where funds have been held for less than three years. The spending policy is subject to maintaining certain minimum fund balances. The spending policy is consistent with the Corporation’s objectives to maintain the purchasing power of the endowment assets held in perpetuity, as well as to provide additional real growth through new gifts and investment return. In establishing this spending policy, the Corporation considered the long-term expected return on its endowment. Accordingly, over the long term, the Corporation expects the current spending policy to allow its endowment to grow sufficiently to preserve or increase the purchasing power of its endowments.

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Corporation to retain as a fund of perpetual duration. No such deficiencies existed as of December 31, 2020 and 2019.

Endowment net assets composition by type of fund is as follows:

	December 31,	
	2020	2019
SCI Endowment for Camp Stevens	\$ 715,550	\$ 675,755
Episcopal Endowment activities	229,753	229,753
Franklin Education activities	139,573	139,573
Episcopal Residence activities	28,807	28,807
Total endowment net assets	<u>\$ 1,113,683</u>	<u>\$ 1,073,888</u>

**THE PROTESTANT EPISCOPAL CHURCH
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**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 11 – Endowment (Continued)

Changes in endowment net assets for the year ended December 31, 2020 were as follows:

	<u>Restricted for Specific Purpose</u>	<u>Restricted in Perpetuity</u>	<u>Total</u>
Beginning of year	\$ 675,755	\$ 398,133	\$ 1,073,888
Investment return:			
Net appreciation	<u>41,329</u>	-	<u>41,329</u>
Total investment return	<u>41,329</u>	<u>-</u>	<u>41,329</u>
Amounts appropriated for expenditure	<u>(1,534)</u>	<u>-</u>	<u>(1,534)</u>
End of year	<u>\$ 715,550</u>	<u>\$ 398,133</u>	<u>\$ 1,113,683</u>

Changes in endowment net assets for the year ended December 31, 2019 were as follows:

	<u>Restricted for Specific Purpose</u>	<u>Restricted in Perpetuity</u>	<u>Total</u>
Beginning of year	\$ 601,046	\$ 398,133	\$ 999,179
Investment return:			
Interest income	10,461	-	10,461
Net appreciation	<u>65,646</u>	-	<u>65,646</u>
Total investment return	<u>76,107</u>	<u>-</u>	<u>76,107</u>
Amounts appropriated for expenditure	<u>(1,398)</u>	<u>-</u>	<u>(1,398)</u>
End of year	<u>\$ 675,755</u>	<u>\$ 398,133</u>	<u>\$ 1,073,888</u>

**THE PROTESTANT EPISCOPAL CHURCH
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**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 12 – Mission Share Fund

Mission Share Fund expense is comprised of the following:

	For the Year Ended December 31,	
	2020	2019
MISSION SHARE FUND		
Program services:		
World and national missions	\$ 624,201	\$ 628,736
Missions and congregational development	1,145,836	1,004,342
Campus and young adult missions	222,949	275,041
Communications and public affairs	276,448	408,092
Multicultural ministry	4,402	1,357
Ministry formation and deployment	434,174	541,066
Christian formation and youth ministry	12,755	14,343
Stewardship and development	3,000	150
Social ministries	142,448	142,462
Other diocesan ministries	133,618	297,771
IRIS (Refugee and Immigration Ministries)	884,683	1,039,613
Bookstore	342	116,933
Retreat Center	103,311	146,674
	<u>3,988,167</u>	<u>4,616,580</u>
Support services:		
Diocesan operations ministries support	880,662	576,557
Bishops' office	1,067,951	1,092,315
Human resources and professional standards	364,003	388,692
Administration and finance	205,430	144,290
	<u>2,518,046</u>	<u>2,201,854</u>
	<u>\$ 6,506,213</u>	<u>\$ 6,818,434</u>

**THE PROTESTANT EPISCOPAL CHURCH
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**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 13 – Employee Benefit Programs

The Corporation participates in defined benefit and defined contribution retirement plans administered by the Church Pension Fund (the Fund), which covers substantially all employees.

The Fund is a single corporate legal entity composed of approximately 8,000 fund participants, 6,000 retirees and 7,300 churches. In addition to the national scope of this organization, actuarial data is further obscured by the fact that most fund participants are employed by multiple churches over the life of their service. Accordingly, it is not practical for an actuary to compute accumulated and projected benefit obligations for individual fund participants on a church-by-church basis. The Corporation contributed approximately \$276,000 and \$249,000 (18% of eligible compensation) to the clergy defined benefit pension plan for the years ended December 31, 2020 and 2019, respectively.

The Corporation also funds defined benefit and defined contribution pension plans covering lay persons employed by the Corporation. The Corporation contributes 9% of eligible employee compensation. Contributions by the Corporation to the lay employee pension plans amounted to approximately \$164,000 and \$190,000 for the years ended December 31, 2020 and 2019, respectively.

NOTE 14 – Commitments and Contingencies

In March 2015, the Corporation entered into an agreement to act as the guarantor of a loan to St. George's Episcopal Church of Laguna Hills. At December 31, 2020, the principal amount of the loan was approximately \$282,000 with a fixed interest rate of 4.375%, payable in equal installments until March 2022.

The Corporation is periodically subject to claims and lawsuits which arise in the ordinary course of its activities. At the time of this report, the Corporation is not party in any legal proceedings.

**THE PROTESTANT EPISCOPAL CHURCH
IN THE DIOCESE OF LOS ANGELES**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 15 – Related-Party Transactions

The Corporation is related to the Corporation Sole and affiliated parishes and missions within the Diocese. The Corporation Sole and affiliated parishes and missions provide the Corporation with funding for administrative operations. Facilities and administrative service expenses common to the Corporation and the Corporation Sole are shared under a formula which is reviewed annually. At December 31, 2020 and 2019, total due from Corporation Sole is \$467,714 and \$415,170, respectively.

Other organizations within the Protestant Episcopal Church in the Diocese of Los Angeles have deposited monies with the Corporation to hold and manage as investments. Investment income (expense) related to these monies is recorded as an increase (decrease) to this account. These funds are included in investments on the statement of assets, liabilities, and net assets – modified cash basis.

SUPPLEMENTAL INFORMATION

**THE PROTESTANT EPISCOPAL CHURCH
IN THE DIOCESE OF LOS ANGELES**

**SCHEDULE OF PROPERTY AND EQUIPMENT
DECEMBER 31, 2020**

Location	Description	Valuation Basis	Valuation Amount
SAINT PAUL'S COMMONS			
Building – 840 Echo Park Ave.	Building, furniture, and fixtures	C	\$ 9,918,729
Land – 840 Echo Park Ave.	Land	C	1,330,000
Land – 860 Echo Park Ave.	Land	C	<u>320,764</u>
Total Cathedral Center			<u>11,569,493</u>
PARISHES			
Los Angeles - St. Bede's	Land and house	C	22,345
	Land and church	C	223,036
San Juan Capistrano - St. Margaret's	Church and school	C	4,346,932
	Headmaster's House	C	1,540,000
Santa Clarita - St. Stephen's	Land	C	101,529
	Church and educational facility	C	<u>223,846</u>
Total Parishes			<u>6,457,688</u>
MISSIONS			
Agoura - Church of the Epiphany	Land and improvements	C	1,290,047
Big Bear - St. Columbia's	Land and church	C	108,426
Glendale - Magdalene	Church, parish hall, and Sunday school Office	A	356,069
	Office	A	40,059
Hesperia - St. Hillary's	Land and buildings	C	185,900
	Land and buildings	C	90,947
Irvine - St. Andrew's	Land	C	182,234
	Church and improvements	C	608,344
La Crescenta - St. Luke's-of-the-Mountains	Land and buildings	I	5,290,031
La Verne - St. John's	Land	C	25,407
	Parish hall	C	77,361
Lake Arrowhead - St. Richard's	Land	C	90,529
	Building	C	444,471
Laguna Hills, St. George's	Land and church	C	56,500
Rancho Santa Margarita - Saint John Chrysostom	Land and buildings	C	4,329,158

**THE PROTESTANT EPISCOPAL CHURCH
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**SCHEDULE OF PROPERTY AND EQUIPMENT
DECEMBER 31, 2020
(Continued)**

Location	Description	Valuation Basis	Valuation Amount
MISSIONS (Continued)			
San Bernardino - St. John's	Church and Parish Hall	A	353,281
	Residence	A	<u>41,757</u>
Total Missions			<u>13,570,521</u>
EPISCOPAL RESIDENCE			
Los Angeles	Land and buildings	C	<u>1,703,243</u>
Total Episcopal Residence			<u>1,703,243</u>
OTHER PROPERTY AND EQUIPMENT			
Camp Stevens, Julian, San Diego County	Land	C	698,350
	Land	C	214,928
	Land	C	163,800
	Land	C	119,250
	Land	C	52,500
	Banner Road property	C	81,000
	Mobile home	C	60,000
	Vicarage	C	20,262
Condo, Stanton	Condominium	A	209,501
Forest Lawn - Hollywood	Burial Plots - Korean Congregation	C	1
Kern County	Undivided 1/10th interest in mineral rights	C	52
Los Angeles	Evergreen Cemetery burial plot	C	2,100
Ventura County	Lots 3 and 4, Sec. T4N, R10W, 62.29 acres	C	450
Yucca Valley	Land (from Cath Corp, 5 acres)	A	15,686
2019 Subaru XV Crosstrek	Automobile	C	20,079
Renville County, North Dakota	Mineral interest	C	<u>1</u>
Total Other Property and Equipment			<u>1,657,960</u>
Total Property and Equipment			<u>\$ 34,958,905</u>

Valuation symbols: A - Appraisal C - Cost I - Insurance valuation